Senate Bill 383 (Haynes) Chapter 693
Erroneously Granted Proposition 110 Claims

Tax levy, effective September 27, 2000. Amends Section 69.5 of the Revenue and Taxation Code.

Prohibits escape assessments for prior years taxes when intercounty base year value transfers are erroneously granted by the assessor.

Sponsor: Senator Ray Haynes

Law Prior To Amendment:

Revenue and Taxation Code Section 69.5 provides generally that any person over the age of 55 years, or any person who is severely and permanently disabled, may qualify for relief from provisions of law that would otherwise require a reassessment of a newly acquired residence to current market value. Section 69.5 provides such relief by allowing an eligible claimant to transfer, one time only, the existing base year value of a sold residence ("original property") to the new residence ("replacement dwelling") as long as both residences are located in the same county and the new residence is of equal or lesser value. The law permits that a claimant may transfer their base year value to a newly acquired residence that is located in *another* county, but only if the county board of supervisors of the receiving county has adopted an ordinance accepting such base year value transfers. Currently, only 10 of the 58 counties have opted to grant intercounty base year value transfers: Alameda, Kern, Los Angeles, Modoc, Monterey, Orange, San Diego, San Mateo, Santa Clara, and Ventura. Four other counties have had ordinances which are no longer in effect: Contra Costa (repealed 11-8-93), Inyo (repealed 10-13-94), Riverside (repealed 7-1-95), and Marin (repealed 1-16-97).

In General:

California's system of property taxation under Article XIIIA of the State Constitution (Proposition 13) values property at its 1975 fair market value, with annual increases limited to the amount of inflation or 2%, whichever is less, until the property changes ownership or is newly constructed. At the time of the ownership change or new construction, the value of the property for property tax purposes is redetermined based on current market value. The value initially established, or redetermined where appropriate, is referred to as the "base year value." Thereafter, the base year value is subject to annual increases for inflation. This value is referred to as the "factored base year value."

Proposition 60 (1986) amended the constitution to authorize the Legislature to provide an exception to the general requirement that property be reassessed to current market value by providing for a one-time transfer of base year value from a former principal place of residence to a replacement dwelling, under certain conditions, by qualified persons who are over the age of 55 years. Proposition 90 (1988) further amended the constitution to authorize such base year value transfers to replacement dwellings located in another county, provided the county board of supervisors of that county adopts an ordinance accepting such transfers. Proposition 110 (1990) extended these base year value provisions to persons who are severely and permanently disabled.

Comments:

1. **Purpose.** To alleviate potentially serious hardship facing disabled homeowners, many of whom live on a low, fixed income in Riverside County, and who will have to pay up to four years of additional property taxes, via escape assessments, because the assessor's office erroneously granted them an intercounty base year value transfer under a previously repealed Proposition 90 ordinance.
2. **This measure is intended to address a specific instance in Riverside County.** Riverside County's Proposition 90 ordinance accepting intercounty base year value transfers was repealed effective July 1, 1995. However, some staff members believed that the repeal of the county's ordinance only affected intercounty transfers, available to persons who are over the age of 55 years, and that intercounty transfers, available to disabled persons regardless of age under Proposition 110, were still permitted. The county recently discovered this error and contacted those taxpayers to inform them that the previously granted base year value transfers would be revoked and that escape assessments would be levied for prior years.
3. **This bill ensures that taxpayers mistakenly granted base year value transfers will not have to pay additional property taxes for <u>prior</u> tax years prohibiting escape assessments in these limited circumstances.** This measure holds these taxpayers harmless for such back taxes. However, the assessed values of these homes will be corrected on a prospective basis beginning with the January 1, 2000 lien date.